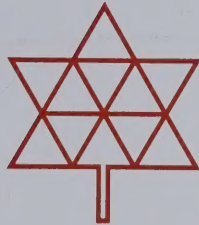


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NUMAC OIL & GAS LTD.

Fourth Annual Report

FOR THE PERIOD ENDING DECEMBER THIRTY-FIRST, 1966

NUMAC OIL & GAS LTD.

Fourth Annual Report

FOR THE PERIOD ENDING DECEMBER THIRTY-FIRST, 1966

REGISTERED OFFICE 11055 - 107 STREET, EDMONTON, ALBERTA

Board of Directors

RALPH A. BARD, JR.

Executive
Chicago, Illinois

ALEXANDER N. MacIVER

Barrister and Solicitor
Edmonton, Alberta

LAWRENCE L. BELL

Partner
Richardson Securities of Canada
Toronto, Ontario

WILLIAM S. MCGREGOR

Executive
Edmonton, Alberta

HADLEY CASE

President, Felmont Oil Corporation
New York, N.Y.

MARSHAL STEARNS

Partner
T. A. Richardson & Co. Limited
Toronto, Ontario

Officers

WILLIAM S. MCGREGOR

President and Managing Director

DONALD F. BAKER

Vice-President, Engineering

GUNNAR HAUGRUD

Vice-President, Exploration

ELMO C. KELLAM

Treasurer

C. R. S. MONTGOMERY

Secretary and Vice-President,
Lands and Contracts

ALEXANDER N. MacIVER

Assistant Secretary

Registrar and Transfer Agents

THE ROYAL TRUST COMPANY

EDMONTON, MONTREAL, TORONTO, WINNIPEG, VANCOUVER

Auditors

WINSPEAR, HIGGINS, STEVENSON AND DOANE

EDMONTON, ALBERTA

Solicitors

JACKSON, ARLETTE, MacIVER, HILL & KLINCK

EDMONTON, ALBERTA

Listings

TORONTO STOCK EXCHANGE

VANCOUVER STOCK EXCHANGE

AR18

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Executive
Chicago, Illinois

LAWRENCE L. BELL

Assistant General Manager,
James Richardson & Sons, Ontario
Toronto, Ontario

HADLEY CASE

President, Felmont Oil Corporation
New York, N.Y.

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Edmonton, Alberta

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Lands and Contracts

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Assistant Secretary

REGISTRAR AND TRANSFER AGENTS

THE ROYAL TRUST COMPANY

Edmonton, Montreal, Toronto, Winnipeg, Vancouver

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Edmonton, Alberta

SOLICITORS

JACKSON, ARLETTE, MacIVER, HILL & KLINCK

Edmonton, Alberta

LISTINGS

TORONTO STOCK EXCHANGE

VANCOUVER STOCK EXCHANGE

File

Interim Report

of

NUMAC OIL & GAS LTD.



11055 - 107 Street

Edmonton, Alberta

Canada

For The Six Months

Ended June 30th, 1966

NUMAC OIL & GAS LTD.

Fourth Annual Report

FOR THE PERIOD ENDING DECEMBER THIRTY-FIRST, 1966

INTERIM REPORT NUMAC OIL & GAS LTD.

July 15, 1966

TO THE SHAREHOLDERS:

The two main purposes of this report are to briefly review Numac's progress to date and to advise our shareholders of significant programs planned for the ensuing six month period. Since its incorporation in the spring of 1963 the company has:

- Established proven and semi-proven Light Gravity Oil Reserves in excess of 5,000,000 barrels and Natural Gas Reserves of approximately 4 billion cubic feet;
- Gained varied interests in 42 oil and gas wells;
- Built a Property Portfolio of approximately 1,160,000 acres of oil and gas leases, reservations and mineral holdings;
- Remained debt free with a working capital position of \$1,580,688 as of June 30;
- Diversified into Uranium Exploration to the extent that its land holdings now include 573,790 mineral acres with Uranium potential. Numac is now one of the largest holders of Prospective Uranium Properties on the North American Continent.

OIL AND GAS

The following are pertinent programs already consummated or in the planning stage on company properties:

- Red Earth-Loon Lake-Utikuma Lake — Assessment of Geological and Geophysical information is presently being completed with a view to planning this winter's activities;
- Mitsue (S½ 22-72-4 W5M) — Producing Gilwood Oil Wells now offset this half section on three sides and a drilling location will probably be staked by Numac and partners when road conditions permit;
- Other acreage — Two farmout agreements have been signed involving deep Wildcat Test Wells to be drilled later this year, free to Numac, and two additional farmouts are being negotiated at the present time.

Such properties as Numac's Pembina River leases (part now offset by Belly River Production), its 270,242 acres in the MacKenzie Delta, and the 40,000 acre (approximately) Cochrane area foothills prospect hold promise for developments which should prove to be of interest to shareholders.

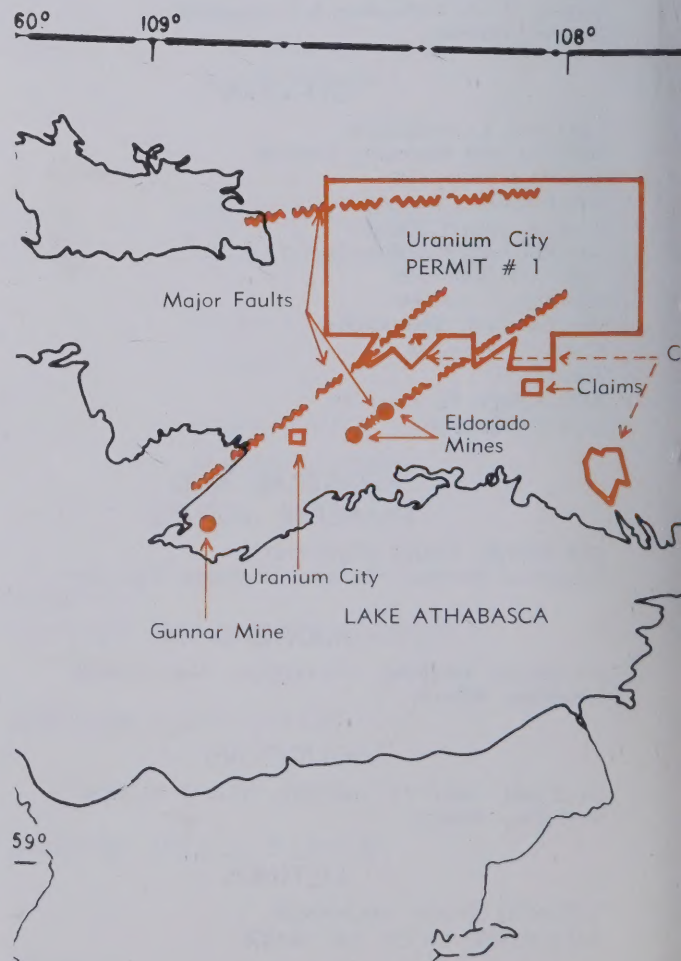
FINANCIAL

	First Half 1965	First Half 1966
Production	\$116,000	\$124,000
Investments	42,000	41,000
Miscellaneous	18,000	7,000
	<u>\$176,000</u>	<u>\$172,000</u>

Production income for the first half of 1966 was up 6.9% over the same period in 1965, investment income showed a slight decrease and miscellaneous revenue (profits on leases, etc.) was down from 1965. Working capital as of June 30, 1966 was \$1,580,688.

URANIUM

Your directors and management consider Numac's most interesting exploratory venture at the present time to be a three to five year Uranium Exploration Program in which Imperial Oil Limited has agreed to participate to earn a 50% interest in Numac's 573,790 acres of mineral properties in the Uranium City, Stony Rapids and Charlebois Lake areas of Northern Saskatchewan (see map). Geological parties are now working on these properties and a detailed Airborne Scintillometer survey covering most of the ground will be under way by the time this report goes to print. Present indications are that this summer's work program could turn up several Uranium occurrences that may warrant detailed core drilling programs next year. However, a core hole program



NUMAC OIL & GAS LTD.

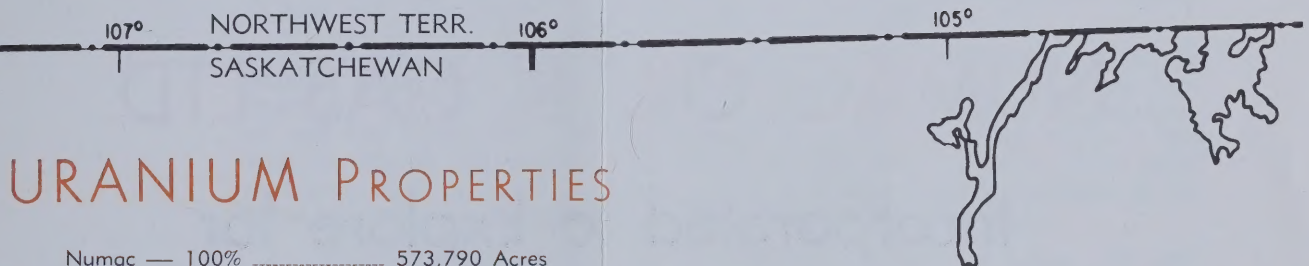
will be commenced on Permit 2 in August of this year.

This unusually large spread was put together at a strategic time, particularly when the world's future Uranium requirements appear to be increasing rapidly. Numac's Holdings are in close proximity to two rich Uranium ore bodies presently being mined by Eldorado Mining & Refining Ltd., a Crown Corporation, and are in the vicinity of the Gunnar Mine which produced approximately 146 million dollars worth of Uranium. Further, Eldorado is in the midst of a major drilling program on its HAB claims, lying immediately south of our Permit 1 and claim blocks staked by Numac. Unofficial reports indicate drilling results thus far have been quite encouraging.

Since Numac established its land position, substantial mining groups such as Western Nuclear, Mokta Explorations (French Government, et al) and other companies have acquired properties adjoining and strategic to our company holdings.

On behalf of the Board of Directors

W. S. McGregor
W. S. McGregor,
President.



locks



NUMAC OIL & GAS LTD.
Fourth Annual Report



NUMAC OIL & GAS LTD.

Incorporated to Explore for
and Produce oil, gas
and other minerals.



NUMAC OIL & GAS LTD.

TO THE SHAREHOLDERS:

Your Company achieved gains in oil production and income for the third successive year since commencing business with oil production showing an increase over the previous year of 31.6%.

The Company's land policy is based on the conviction that a sound but aggressive land management system should be a cornerstone of efficiency and company growth. The continual culling and up-grading of leases and reservations in prospective areas led to land investments during 1966 of \$335,000. As a result the Company had interests in 1,365,000 acres of strategically located properties at year end compared with 920,000 acres the year before.

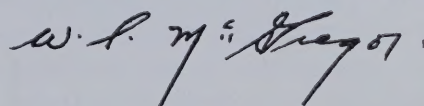
Numac and Imperial Oil Limited increased their holdings in prospective uranium properties in the Lake Athabasca - Uranium City area of northern Saskatchewan to a year end total of 597,000 acres as compared with 357,000 acres at year end 1965. The substantial increase in permits and claim blocks in this area was directly attributable to two things: the encouraging uranium shows noted during the 1966 prospecting season, together with Management's confidence in the future requirements and value of uranium on the world market place.

Gross revenue during 1966, after deducting royalty but before write-offs, totalled \$501,601 compared with \$445,686 the previous year. I am pleased to report the Company had a working capital position of \$1,241,000 at the year end, and in addition, had Government Bonds with a face value of \$100,000 on deposit at Provincial and Dominion Government agencies. The Company has no long term indebtedness.

This year could be a significant one in the affairs of Numac, particularly with respect to its large holdings of petroleum and uranium properties. While the detailed plans for the season's exploration must necessarily be kept confidential at this time, large sums will be spent by other companies drilling and assessing Numac's properties at no cost to our Company. Of further interest to our shareholders will be the increased exploration budget which has been approved by Numac and Imperial Oil for the uranium properties, which program will commence approximately May 1st.

The Directors again wish to express their appreciation to the Company's small but dedicated group of employees and to the shareholders for the confidence accorded by them.

Submitted on behalf of the Board of Directors:



Edmonton, Alberta
March 1, 1967

President and Managing Director

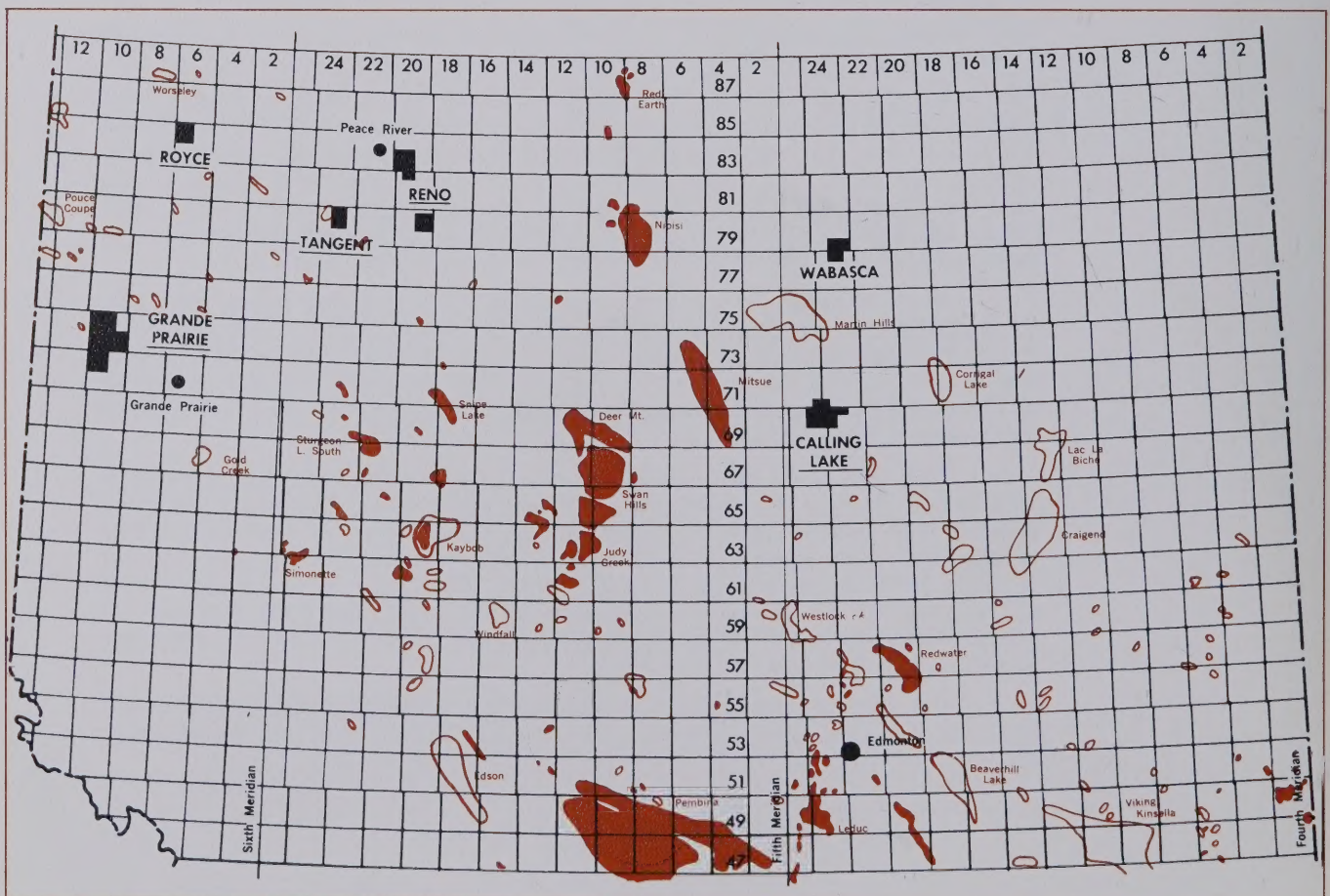
ACQUISITIONS

Numac embarked on an active land acquisition program in 1966, obtaining an interest in 634,000 acres of which 235,000 consisted of Petroleum and Natural Gas reservations and leases and 399,000 were mineral permits and claim blocks. At year end the Company's land holdings totalled 1,365,000 gross acres equivalent to 1,053,000 net acres compared to 920,000 gross and 740,000 net in the previous year.

Five reservations, totalling 165,000 acres, were acquired on the **PEACE RIVER ARCH**, an area characterized by numerous fault and stratigraphic trap structures. A 46,500 acre reservation was purchased at **CALLING LAKE** in east central Alberta in an area containing several large shallow gas fields (see Central Alberta map). Gas contracts have recently been signed covering a number of fields in both areas and pipe line connections are expected in the near future.

The discovery of Mississippian and Devonian oil at Hummingbird in southern Saskatchewan prompted Numac, in partnership with three other oil companies, to acquire 7,000 lease acres in **SHERIDAN COUNTY**, Montana, 15 miles south of the discovery. Both gravity and seismic maps of the area were available and both indicated a structure covering part of the acreage. Our group has recently participated in a seismic program over the Hummingbird structure in order to determine the size and character of the feature and additional seismic is planned for the Montana acreage.

During the latter part of 1965 and continuing into the first half of 1966, Numac, in partnership with a Calgary based oil company, acquired 15,000 lease and reservation acres in the **COCHRANE** area of southern Alberta on what is considered to be a good Mississippian gas prospect. In the second half of 1966, the team



CENTRAL ALBERTA

Oil Fields
Gas Fields

0 50 100

P & NG RESERVATIONS NUMAC 100%
1966 Acquisitions Underlined

Scale — Miles

was successful in negotiating a farmout on part of this acreage which resulted in a free 10,000-foot Mississippian test being drilled. Although this well was abandoned, information obtained prompted the acquisition of an additional 11,000 acres in the area. Seismic records have been purchased and these are presently being interpreted with a view to picking a location for a second exploratory well.

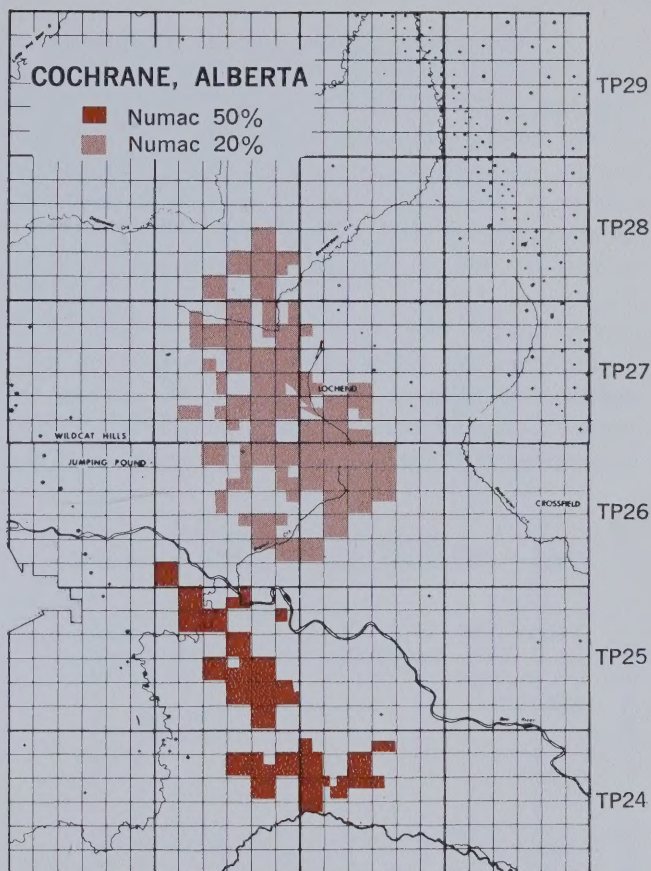
Numac participated 50% in the purchase of three lease parcels on the **MITISUE-RED EARTH** oil trend. A 1,280 acre parcel is located partly within the limits of the Mitsue field, 640 acres offset production in the Loon field and a 960 acre parcel is one and one-half miles north of production in the Utikuma field. One development well has been completed as an oil producer on the Mitsue parcel.

R5

R4

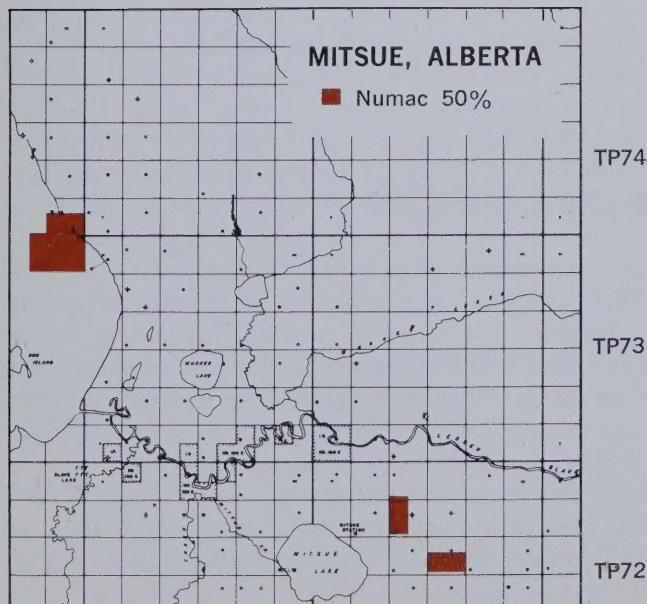
R3

R2W5M



R5

R4W5M



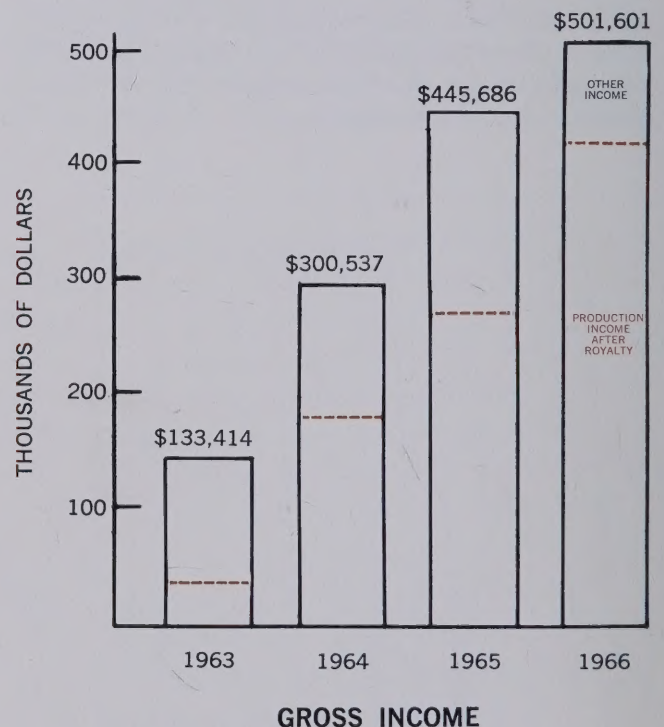
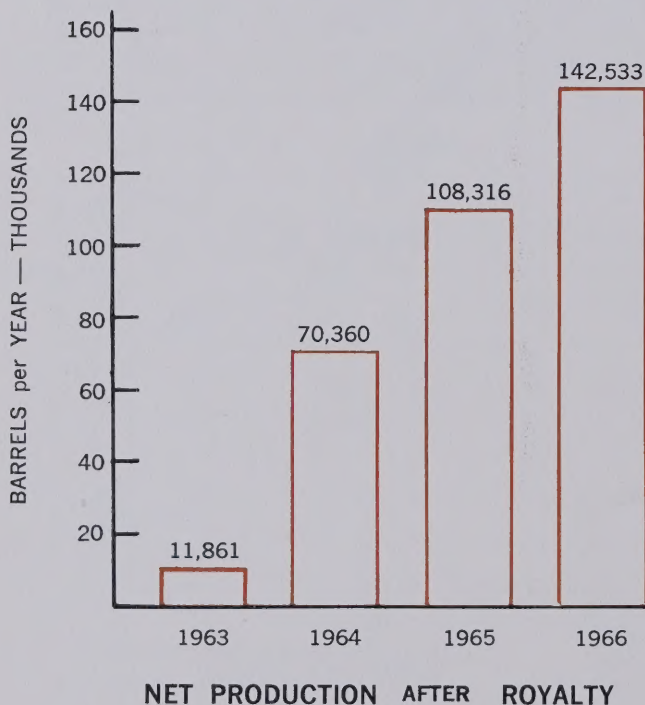
DRILLING

Numac participated in the drilling of 12 wells in 1966 of which 6 were drilled at no cost to the Company. The drilling results were 5 oil wells, 2 gas wells and 5 dry holes. Two oil producers were drilled on a Pembina lease in which the Company has a 30% interest, single oil wells were drilled at Mitsue (50%), Red Earth (25%), and on our Pine Pass Oil & Gas Ltd. acreage in northeastern British Columbia (4% carried). Gas wells were completed on our Fireweed acreage in northeastern British Columbia (50%) and on our Pine Pass acreage (4% carried). Since the year end, a very good dual zone oil well has been completed on pooled acreage at the north end of the Nipisi field (15%) and a well has just been spudded in Red Earth (50%).

PRODUCTION

A substantial increase in net production to 142,533 barrels was attained during 1966, the increase amounting to 31.6% over 1965 production. A portion of this increase came through the enlargement of production spacing units in the Red Earth field whereby additional allowable is obtained from acreage offsetting producing wells with no drilling costs involved. In June of 1966 the first income was realized from the Peejay area of British Columbia through the Company's carried interest held by Pine Pass Oil & Gas Ltd. It is anticipated that income from this source will increase considerably in the coming year and will enhance the overall Company position. Late in the year, Numac participated in the drilling of oil wells in the Red Earth

and Mitsue fields. Since they were not placed on production until December, they did not add significantly to the total figure but will materially add to Company production in the coming year. During the year, Numac's wholly-owned well in the Swan Hills field entered a unit operation making a total of three units in which the Company now has an interest, the other two being the Snipe Lake and Edson Cardium units. Negotiations are presently being carried on to unitize three other areas in which Numac holds an interest with the prime purpose of establishing secondary recovery projects thereby increasing ultimate recovery and present income.

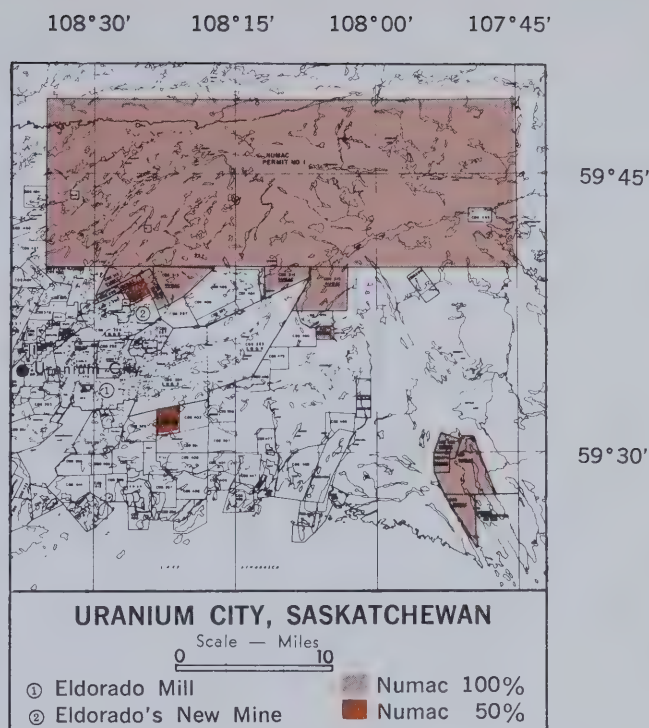
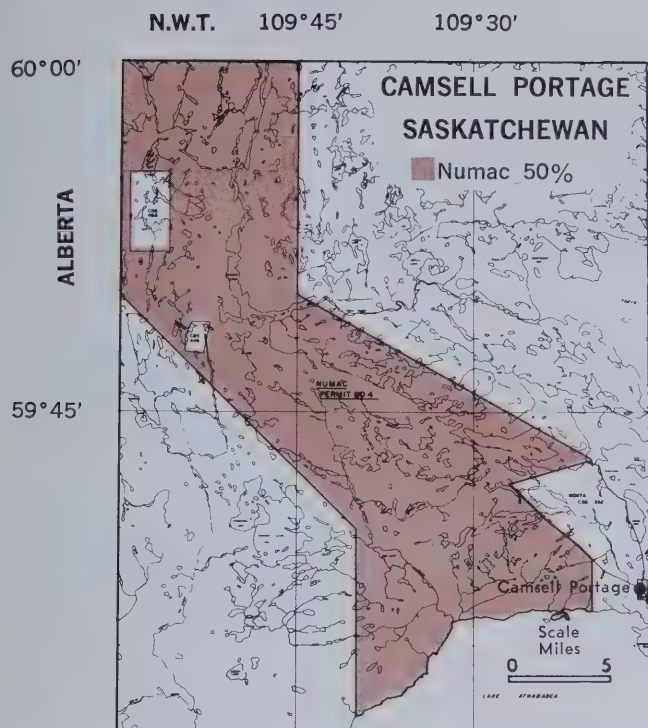


URANIUM EXPLORATION

Numac has been more than pleased with the progress of its uranium exploration program in northern Saskatchewan. The Company was able to obtain the services of J. Foster Irwin Engineering & Management Services Ltd., rated as one of the top uranium consulting firms in Canada, to manage the program and supply competent field personnel. Prior to the start of the field season, Imperial Oil Limited agreed to participate in the venture under terms very favorable to Numac. Two mineral permits, ten claim blocks and two

claim groups totalling 399,000 acres were acquired in 1966 and one mineral permit of 168,000 acres was dropped.

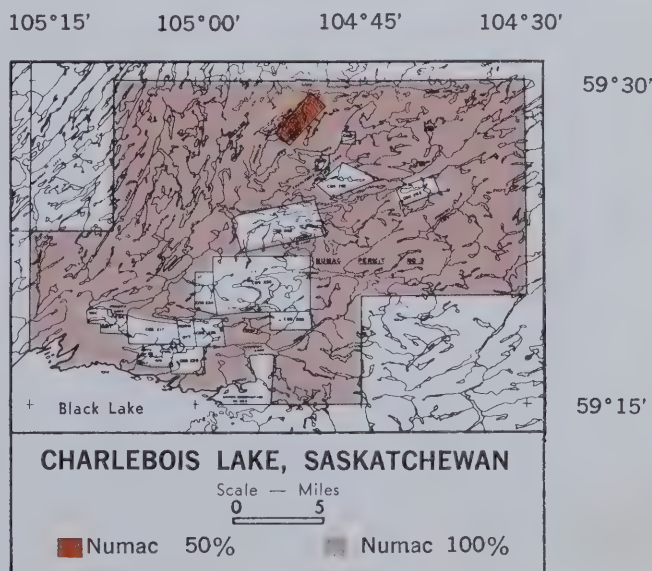
Permit #3 located in the Charlebois Lake area was filed on in March of 1966. This area is known to contain uranium and molybdenum bearing pegmatites, one of which is reported to have assayed 3.0 pounds per ton U_3O_8 across 10 feet and along a strike length of 400 feet. Permit #4 (see Camsell Portage Map) filed on in December, contains Tazin type rocks similar to those



found in the Uranium City area and has several known radioactive occurrences. The claim blocks and claims, all located in the Uranium City area, complemented existing acreage and have good uranium prospects. One of the claim blocks falls within one mile of a new uranium mine being developed by Eldorado Mining & Refining on its HAB property (see Uranium City map).

Permits #1 and #3 and most of the claim blocks were flown at one quarter mile spacing using a unique scintillometer-spectrometer which was able to differentiate uranium, thorium, and potassium radiation. Numerous radioactive occurrences were recorded and are presently being assessed. Four field prospecting teams and one field geologist were employed during the summer on a reconnaissance survey of the properties. A reconnaissance diamond drilling program was initiated on Permit #2 to establish the thickness of Athabasca Sandstone and the character of its contact with the underlying igneous rocks. Due to the thickness of the sandstone and the difficulty encountered in drilling it was decided to terminate the program after three holes (2200') had been drilled and to drop the permit.

In the coming year we intend to carry out a scintillometer survey on Permit #4 and to detail some of the areas that were flown in 1966. Prospecting and mapping will be continued with emphasis on the more promising anomalies. The field parties will be supplied with a helicopter for most of the season to provide greater mobility. Considerable diamond drilling is anticipated during 1967.



ASSETS

DECEMBER 31, 1966

	1966	1965
Current		
Cash	\$ 50,699	\$ 17,082
Term deposits, treasury bills and guaranteed investment certificates— at cost	1,080,785	1,649,962
Receivables (Note 1)	296,636	245,200
Materials and supplies on hand—at cost	47,989	50,190
Prepaid expenses	4,549	—
	1,480,658	1,962,434
Investments (Note 2)	143,203	69,081
Leases and development costs (Note 3)	2,550,572	2,202,839
Equipment, furniture and fixtures (Note 4)	220,886	180,180
Organization and incorporation costs	40,671	40,241
Excess of cost of shares in subsidiary company over book value at date of acquisition	148,400	148,400
On behalf of the board		
“W. S. McGREGOR”		
Director		
“A. N. MacIVER”		
Director		
	\$4,584,390	\$4,603,175

The accompanying notes form part of this statement.

AUDITORS' REPORT

To the Shareholders of
Numac Oil & Gas Ltd.

We have examined the consolidated balance sheet of Numac Oil & Gas Ltd. and its Subsidiary Companies as at December 31, 1966 and the consolidated statements of income and deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying consolidated balance sheet and consolidated statements of income and deficit and source and application of funds are properly drawn up so as to exhibit a true and correct view of the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, Alberta,
March 1, 1967.

WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants.

BALANCE SHEET

with comparative figures)

LIABILITIES

Current

	1966	1965
Payables and accruals	\$ 239,105	\$ 184,417
Minority shareholders' interest in subsidiary company	28,114	1,400
	<u>267,219</u>	<u>185,817</u>

SHAREHOLDERS' EQUITY

Share capital (Note 6)

Authorized		
5,000,000 shares without nominal or par value		
Issued and outstanding		
3,200,000 shares	4,549,200	4,549,200
Deficit	(232,029)	(131,842)
	<u>4,317,171</u>	<u>4,417,358</u>
	<u>\$4,584,390</u>	<u>\$4,603,175</u>

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1966

	1966	1965
1. Receivables		
Trade—Oil production	\$ 85,778	\$ 40,133
—Other	85,568	174,710
Precambrian Incentive Program claims	99,608	—
Accrued interest	25,682	30,357
	<u>\$ 296,636</u>	<u>\$ 245,200</u>
2. Investments		
Recoverable deposits	\$ 109,734	\$ 69,081
Shares and advances	33,469	—
	<u>\$ 143,203</u>	<u>\$ 69,081</u>
3. Leases and development costs		
Interest in petroleum and natural gas rights—at cost	\$1,772,124	\$1,478,239
Development costs		
Productive wells	938,451	874,466
Capped gas and wells in progress	109,105	34,474
Acquisition and exploration costs of mining properties	69,487	—
	<u>2,889,167</u>	<u>2,387,179</u>
Deduct: Allowance for depletion and amortization	288,791	184,340
Advances from Government of the Province of Saskatchewan under Precambrian Incentive Program (Note 5)	49,804	—
	<u>338,595</u>	<u>184,340</u>
	<u>\$2,550,572</u>	<u>\$2,202,839</u>
4. Equipment, furniture and fixtures		
Production and automotive equipment, furniture and fixtures—at cost	\$ 274,141	\$ 213,328
Deduct: Accumulated depreciation	53,255	33,148
	<u>\$ 220,886</u>	<u>\$ 180,180</u>

5. Advances from Government of the Province of Saskatchewan

These advances are received to assist with the financing of exploration carried out on the mining properties. They are repayable without interest from any profits on the mineral production from the properties on which the eligible exploration work was performed. If no profits are realized the funds received are not repayable.

6. Share capital

552,000 shares are reserved for issuance upon the exercise of Share Purchase Warrants issued under a Warrant Indenture, dated June 15, 1963, between the Company and the Royal Trust Company, as Trustee. The Warrants entitle the holders thereof to purchase Shares without nominal or par value of the Company, as presently constituted, at the following prices:

If purchased after June 30, 1966 but prior to the close of business on June 30, 1967—\$3.25 per share.
If purchased after June 30, 1967 but prior to the close of business on June 30, 1968—\$4.00 per share.

An option, expiring January 2, 1969, was granted to an employee of the Company on January 2, 1964 to purchase 10,000 Shares without nominal or par value of the Company, as presently constituted, at the price of \$1.60 per share. The option becomes exercisable at the rate of 2,000 shares on each of January 2, 1965, January 2, 1966, January 2, 1967, January 2, 1968 and January 2, 1969 and it may be allowed to accumulate during the period.

7. Accounting Principles

The cost of interest acquired in petroleum and natural gas rights and mining claims, the geological, geophysical and exploration costs thereon and the costs of successful wells are capitalized when incurred.

Lease and reservation rentals and other carrying charges on petroleum and natural gas rights and mining properties are charged to expense when incurred.

Dry hole costs are charged to expense when the status of the well is determined.

The costs of abandoned petroleum and natural gas rights and the related geological and geophysical costs are charged to expense at the time of surrender.

Profits or losses on disposal of interest in petroleum and natural gas rights are credited or charged to income at the time of disposal.

Depletion is recorded on successful well costs and related geological and geophysical and petroleum and natural gas rights costs on a unit-of-production method based on estimated oil and gas reserves.

Depreciation of fixed assets is provided on a straight line basis at rates calculated to amortize the costs of the respective items over their estimated useful lives.

All acquisition and exploration costs of mining properties are considered on a project basis and therefore when individual properties are surrendered the costs are not charged to expense unless the whole related project is abandoned.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

YEAR ENDED DECEMBER 31, 1966
(with comparative figures)

	1966	1965
Income		
Proceeds from oil production and oil royalties, less royalties paid	\$ 401,440	\$ 268,159
Option deposit forfeited and profit on disposal of interests in petroleum and natural gas rights	5,000	75,585
Supervision fees	21,860	16,613
Investment earnings	73,301	85,229
	<u>501,601</u>	<u>445,686</u>
Expenses		
Dry hole costs	161,381	86,218
General and administrative (included directors' fees of \$150, \$250 in 1965)	140,813	120,477
Interest in petroleum and natural gas rights surrendered	41,617	1,735
Interest	553	332
Lease and reservation rentals	48,898	37,617
Operating costs	57,254	34,611
Provision for depletion and amortization	104,451	99,325
Provision for depreciation	20,107	16,253
	<u>575,074</u>	<u>396,568</u>
Net income (loss)—including minority shareholders' interest	(73,473)	49,118
Minority shareholders' interest in net income of subsidiary company	26,714	—
Net income (loss)	(100,187)	49,118
Deficit January 1	131,842	180,960
Deficit December 31	<u>\$ 232,029</u>	<u>\$ 131,842</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1966
(with comparative figures)

	1966	1965
Source		
Profit before provision for depletion and amortization, depreciation, dry hole costs, interests in petroleum and natural gas rights surrendered and profits on disposal of interest in petroleum and natural gas rights	\$ 222,369	\$ 177,064
Proceeds from option deposit forfeited and disposal of interest in petroleum and natural gas rights	5,000	155,614
Advances under Precambrian Incentive Program	49,804	—
Minority shareholders' interest in net income of subsidiary company	26,714	—
	<u>303,887</u>	<u>332,678</u>
Application		
Purchase of		
Fixed assets	60,813	50,814
Investments	74,122	37,000
Interests in petroleum and natural gas rights	335,502	250,998
Development costs incurred	299,997	349,288
Acquisition and exploration costs of mining properties	69,487	—
Organization and incorporation costs	430	—
	<u>840,351</u>	<u>688,100</u>
Decrease in working capital	(536,464)	(355,422)
Working capital January 1	1,778,017	2,133,439
Working capital December 31	<u>\$1,241,553</u>	<u>\$1,778,017</u>

NUMAC OIL & GAS LTD.



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